



SPECIAL REVIEW OF
SHERIFF'S OFFICE
MILLER COUNTY, MISSOURI

PERIOD JANUARY 1, 1999 THROUGH AUGUST 11, 1999
AND THE YEAR ENDED DECEMBER 31, 1998

**From The Office Of State Auditor
Claire McCaskill**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

January 2000

The following problems were discovered as a result of a review conducted by our office of the Miller County Sheriff's Department.

On May 16, 1998, the Sheriff held a sale of surplus and unclaimed property. The sale advertisement stated that more than 200 surplus and unclaimed items were to be sold; however, a complete listing of all items to be sold was not prepared and retained. In addition, a complete listing of all monies received was not maintained. The final settlement record signed by the auctioneer indicated sale proceeds totaled \$5,818. However, copies of receipt slips retained by the Sheriff's office totaled only \$5,661. Without a complete listing of items to be sold and those actually sold and for what amounts, the Sheriff has less assurance that all sale proceeds were accounted for properly.

Some sale proceeds were not collected the day of the sale. The Sheriff's father did not pay for his purchases (\$822) until a week later, and the Sheriff did not pay for items he purchased (\$275) at the sale until July 1998. In May 1999, the Sheriff paid \$260 to the County Treasurer to cover a shortage that was noted when a reconciliation was prepared of sale proceeds to amounts turned over to the County Treasurer.

Also, at the time of the sale, the Sheriff's procedure was to charge a \$5 gun permit fee for all gun permits issued, except for those permits issued to individuals involved in law enforcement or the judicial system. However, the Sheriff did not require his father to pay gun permit fees for the six permits issued to him for guns purchased at the sale. The Sheriff stated that his father is not involved in law enforcement or the judicial system.

Balances on deposit for inmates exceeded the balance in the Inmate Account by \$148. From June 1998, when this account was opened, until August 1999, more than \$20,000 of commissary inventory was purchased from this account to be resold to inmates at a ten percent mark up. However, as of August 1999, the balance in the account showed no profit, and no monies had been paid over to the county's General Revenue Fund.

In addition, improvement is needed in the accounting controls and procedures for other receipts and activities of the Sheriff's office. Cash receipt and disbursement records are not complete, and bank reconciliations are not performed for the various accounts.

Three bonds totaling \$1,580 were collected by the Sheriff's office and not deposited. Two were discovered missing when the court notified the office it had not received the bonds. A third missing bond was detected during our audit. Many of these concerns were also noted in a prior report issued by our office.

YELLOW SHEET

SPECIAL REVIEW OF
SHERIFF'S OFFICE
MILLER COUNTY, MISSOURI

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CLAIRE C. McCASKILL
Missouri State Auditor

County Commission of Miller County, Missouri
and
Sheriff of Miller County, Missouri

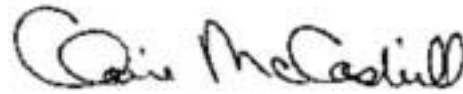
We have conducted a special review of the records, accounts, and procedures of the Sheriff's office of Miller County, Missouri. The scope of the special review included, but was not limited to, the period January 1, 1999 through August 11, 1999 and the year ended December 31, 1998. The objectives of this review were to:

1. Review and evaluate certain controls and procedures regarding the collection of and accounting for various receipts.
2. Review compliance with certain constitutional provisions, statutes, and attorney general's opinions.
3. Follow up on prior audit recommendations.

Our review was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed the financial records and procedures of the Sheriff's office, interviewed personnel of the office, and examined other records and documents as we considered necessary for the review.

Our review was limited to the specific matters described above and was based on the selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying Management Advisory Report presents our findings, comments, and recommendations arising from our audit of the Sheriff's office of Miller County, Missouri.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is written in a cursive, flowing style.

Claire McCaskill
State Auditor

November 4, 1999 (fieldwork completion date)

EXECUTIVE SUMMARY

SPECIAL REVIEW OF
SHERIFF'S OFFICE
MILLER COUNTY, MISSOURI
EXECUTIVE SUMMARY

Complete listings of items offered for sale and monies received were not retained for a sale of surplus and unclaimed property in May 1998. Some sale proceeds were not collected the day of the sale. The Sheriff's father did not pay for his purchases (\$822) until a week later, and the Sheriff did not pay for items he purchased (\$275) at the sale until July 1998. In May 1999, the Sheriff paid \$260 to the County Treasurer to cover a shortage that was noted when a reconciliation was prepared of sale proceeds to amounts turned over to the County Treasurer.

The total of the monies held for individual inmates exceeded the balance in the Inmate Account by \$148. From June 1998, when this account was opened, until August 1999, more than \$20,000 of commissary inventory was purchased from this account to be resold to inmates at a ten percent mark up. However, as of August 1999, the balance in the account showed no profit, and no monies had been paid over to the county's General Revenue Fund.

In addition, improvement is needed in the accounting controls and procedures for other receipts and activities of the Sheriff's office. Cash receipt and disbursement records are not complete, and bank reconciliations are not performed for the various accounts. Three bonds totaling \$1,580 were collected by the Sheriff's office and not deposited. Two were discovered missing when the court notified the office it had not received the bonds. A third missing bond was detected during our audit. Many of these concerns were also noted in our prior Management Advisory Report.

Tom Russell serves as Sheriff of Miller County.

MANAGEMENT ADVISORY REPORT

SPECIAL REVIEW OF
SHERIFF'S OFFICE
MILLER COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT

1.	Sheriff's Sale
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On May 16, 1998, the Sheriff held a sale of surplus and unclaimed property. The sale advertisement stated that more than 200 surplus and unclaimed items were to be sold; however, a complete listing of all items to be sold was not prepared and retained. In addition, a complete listing of all monies received was not maintained. The final settlement record signed by the auctioneer indicated sale proceeds totaled \$5,818. However, copies of receipt slips retained by the Sheriff's office totaled only \$5,661. Without a complete listing of items to be sold and those actually sold and for what amounts, the Sheriff has less assurance that all sale proceeds were accounted for properly.

Some sale proceeds were not collected the day of the sale, and the monies were not deposited intact. Cash was withheld from the first deposit and used to pay expenses related to the sale totaling \$678. This included \$441 of auctioneer commissions, \$200 of payments to Sheriff's office personnel for working at the sale and \$37 for meals. These payments should have been made through the county's warrant or payroll process. Of the \$200 payment, the Sheriff stated he received \$50. The Sheriff should not have received compensation in addition to his authorized salary.

On May 19, 1998, \$3,818 of the \$5,140 total to be deposited (\$5,818-\$678) was deposited. The Sheriff indicated his father had purchased some items at the sale but was not able to take them that day. He returned at a later date to pick them up, and he paid for the items at that time. His check for \$822, which was dated May 24, 1998, was deposited June 2, 1998. On July 7, 1998, \$275 of cash was deposited which the Sheriff indicated was his payment for items he had purchased at the sale. Total deposits as of July 7, 1998, then totaled \$4,915. It is not clear what happened to the remaining \$225 (\$5,140 - \$4,915) of receipts.

From May 1998 to July 1998, disbursements from the account totaled \$1,598, and included two invoices totaling \$209 which dated back to June and July 1997. These disbursements should have been processed through the county warrant system and in a timely manner. In addition, \$35 had been spent on flower purchases for employees. Sale proceeds remaining in the bank account totaling \$3,282 were turned over to the County Treasurer on July 7, 1998. Apparently sometime after the sale, a report was prepared to reconcile the sale proceeds to amounts paid to the Treasurer. Based on this report sale proceeds totaling \$260 were still due to the Treasurer. On May 3, 1999, the Sheriff personally paid \$260 to the Treasurer to cover the shortage (\$225 of undeposited receipts and \$35 of flower purchases).

At the time of the sale, the Sheriff's procedure was to charge a \$5 gun permit fee for all gun permits issued, except for those permits issued to individuals involved in law enforcement or the judicial system. However, the Sheriff did not require his father to pay gun permit fees for the six permits issued to him for guns purchased at the sale. The Sheriff stated that his father is not involved in law enforcement or the judicial system.

WE RECOMMEND the Sheriff maintain complete listings of items offered for sale and monies received for any future sales. In addition, a report of each sale should be prepared and all sale proceeds deposited and/or paid to the County Treasurer in a timely manner, and gun permit fees need to be collected for all applicable gun permits.

AUDITEE'S RESPONSE

The Sheriff indicated this was the first auction the county or his office had held. In the future, they will certainly keep all receipt slips. They did have a complete listing of items to be sold, but lost it when the computer crashed. They will keep a hard copy and a back up disk in the future.

All monies will be deposited in the bank and disbursed by check in the future.

The Sheriff believes that while setting up the sale was a part of his duties, conducting the sale was not. He has, however, upon advice of his attorney, returned his \$50 and the \$37 to the county. The older bills paid from the account were towing charges related to the sale items and were paid from sale proceeds.

Regarding gun permits, everyone is now charged a \$5 gun permit fee.

2. Accounting Controls and Procedures
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- A. Accounting duties are not adequately segregated. Currently, The Office Manager is primarily responsible for receiving, recording, and depositing all monies and for preparing and signing all checks. There were no independent reviews of the work performed by this employee.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing monies from that of recording receipts and preparing disbursements. If proper segregation of duties cannot be achieved, at a minimum, procedures for adequate independent review should be established.

- B.1. Receipt slips were not issued for some monies received and redi-form receipt slips were issued for some monies rather than official, pre-numbered receipt slips. In addition, the numerical sequence of receipt slips was not accounted for properly. Some receipt slips were not issued in order, some were skipped and not properly defaced to prevent later use, and some voided receipt slips were not properly retained.

To ensure all monies are properly handled, official, pre-numbered receipt slips should be issued for all monies received, and receipt slips issued should be reconciled to bank deposits. The reconciliation of receipt slips to deposits should include agreeing the composition of receipt slips (i.e. cash, checks, and money orders) to the composition of deposits. In addition, the numerical sequence of receipt slips should be accounted for properly.

2. Receipts were not deposited in a timely manner. Deposits into the Inmate and Miscellaneous Accounts were made only three to four times per month and ranged from \$321 to \$16,790. Deposits into the Bond Account were made only once or twice per week.

To ensure all monies are properly accounted for and to adequately safeguard cash receipts, deposits should be made intact daily or when accumulated receipts exceed \$100.

During the audit period, at least three cash bonds were received but were not deposited. One bond in the amount of \$1,200 was received June 12, 1998, but discovered missing. Proceeds from the May 1998 sale of surplus and unclaimed property were used to pay this amount to the court. Another bond in the amount of \$330 was received November 12, 1998, but discovered missing. The officer who receipted those monies reimbursed the Sheriff's office for the shortage in October 1999. Both of these shortages were noted by the Sheriff's office when the respective court notified the Office Manager that the bond had not been remitted to them. A third bond totaling \$50 received October 2, 1998, has also never been deposited and is not on hand. That shortage was not detected by the Sheriff's office.

These shortages could have been prevented or detected in a more timely manner if the above recommendations which were also made in our report issued for the three years ended December 31, 1997, had been implemented. The Sheriff responded in that report that those recommendations had been implemented.

- C. As of August 11, 1999, the Sheriff maintained six bank accounts. Cash control ledgers or other listings of receipts and disbursements were not complete and periodic book balances were not maintained for the various accounts. In addition, formal bank reconciliations were not prepared for any of the accounts.

Complete and accurate cash control records are necessary to provide accountability over funds, provide summarized financial information, and facilitate reconciliations between bank and book balances. Formal bank reconciliations are necessary to ensure accounting records agree with bank records and to detect errors in a timely manner.

- D. Monthly listings of open items (liabilities) are not prepared for the Inmate, Fine and Cost, and Bond and Garnishment Accounts. We prepared open items listings for these accounts as of August 11, 1999, and noted the following concerns:

1. The total of the monies held for individual inmates exceeded the balance in the Inmate Account by \$148. The Inmate Account was opened in June 1998. Between June 1998 and July 1999, more than \$20,000 worth of inventory was purchased for the commissary. The employee responsible for providing the commissary service stated that all inventory was marked up ten percent. Assuming that all inventory was sold, approximately \$2,000 of profit should have been generated during this period. However, no commissary profit was ever turned over to the county, and the balance in the Inmate Account is not sufficient to account for any profit.

The Inmate Account open items listing includes some balances that are being held for inmates which have been released. The Sheriff should attempt to refund

these monies. Any monies remaining unclaimed should be disposed of in accordance with state law.

2. Total open items for the Fine and Cost Account exceeded the cash balance by \$3,081. This shortage is less than the shortage noted in our prior audit. The open items listing includes partial payments on cases dating back to 1991. If it appears unlikely the remaining amount owed on these cases will be collected, a court order should be obtained to allow the balances in these cases to be applied to costs or prorated among the various court costs, if necessary. Attorney General Opinion No. 26, 1973 to Osborne, concluded that "If, when liability has been established, accrued costs cannot be collected in full, charges not having any statutory priority or not allocated under court rule should be prorated." Old inactive case balances increase the volume of cases which must be monitored and controlled, putting a greater burden on limited personnel resources. In addition, failure to prorate available monies when it is unlikely the balance will be collected, deprives the state and county of the use of those monies.
3. The cash balance in the Bond and Garnishment Account exceeded the identified open items by \$837.

Monthly listings of open items should be prepared and reconciled to cash balances for each account to ensure monies have been properly recorded and handled and sufficient funds are available for the payment of all liabilities. Differences identified through the reconciliation process should be resolved in a timely manner. Unidentified or unclaimed monies remaining in the accounts should be disbursed in accordance with state law.

- E.1. The Sheriff maintains custody of a Training and Equipment Account. Receipts into this account were primarily donations and proceeds from the annual Sheriff's picnic. On three occasions, the Sheriff used these monies to provide a payroll advance to an employee. In all three instances, the advance was reimbursed by the employee. Employees were also allowed to purchase law enforcement related equipment through this account and make reimbursement over a period of time. The Sheriff did not retain adequate supporting documentation for 6 of the 24 disbursements reviewed. At our request, the Sheriff obtained copies of invoices from the vendors for these six items.

In addition, the Sheriff maintains custody of a Petty Cash Fund bank account. Receipts into this account were primarily proceeds of the May 1998, Sheriff's sale and commissions from vending machines located in the Sheriff's office. On four occasions these monies were used to purchase flowers for employees due to death or illness.

These monies represent accountable fees which should be turned over to the County Treasurer. There is no statutory authority for the Sheriff to maintain such accounts outside the county treasury. In addition, Attorney General's Opinion No. 45, 1992 to Henderson, states, "... sheriffs of third class counties are not authorized to maintain a bank account for law enforcement purposes separate from the county treasury." The remaining account balances should be transferred to the County Treasurer, and future donations and picnic proceeds should be transmitted to the County Treasurer to be spent for law enforcement purposes.

2. Bank interest totaling approximately \$1,300 has accumulated in the various bank accounts as of July 31, 1999. These monies also represent accountable fees which should be turned over to the County Treasurer.
- F. Upon incarceration, any monies in the custody of an inmate are to be receipted for deposit into the Inmate Account. However, inmates who are held only 12 to 48 hours are often given a cash refund of their monies. Adequate supporting documentation was not retained for some cash refunds.

To facilitate the reconciliation of receipt slips issued to amounts deposited and to ensure all monies are properly accounted for, adequate supporting documentation should be obtained for all cash refunds.

- G.1. The Sheriff provides commissary services to inmates whereby inmates are allowed to purchase snacks and personal items. The Sheriff's office does not maintain perpetual inventory records of commissary items. To adequately account for commissary merchandise, a detailed inventory ledger should be maintained on a perpetual basis. Perpetual inventory records should document the beginning balance for each item, items purchased, items sold or otherwise disposed of, and the ending balance of each item. Periodic physical inventory counts should be performed and reconciled to perpetual inventory records. Loss, misuse, or theft of commissary inventory may go undetected without adequate inventory records.
2. The Sheriff maintains custody of the revenues generated through the sale of commissary items. These monies are held in the Inmate Account and are used to replenish the commissary inventory. Commissary proceeds represent accountable fees which should be turned over to the County Treasurer. Invoices to replenish the commissary inventory should then be paid by the county.

Conditions similar to parts A. through E. were noted in our prior report.

WE RECOMMEND the Sheriff:

- A. Adequately segregate duties or establish procedures for independent review.
- B.1. Issue official, prenumbered receipt slips for all monies received and reconcile them to bank deposits, including composition. In addition, the numerical sequence of the receipt slips should be accounted for properly.
2. Deposit receipts daily or when accumulated receipts exceed \$100.

In addition, the Sheriff should obtain reimbursement of the \$50 bond.

- C. Maintain complete and accurate cash control records and perform monthly bank reconciliations for the various accounts.
- D. Prepare and reconcile open items listings to cash balances monthly and investigate any differences.

In addition, we recommend the Sheriff:

1. Ensure reimbursement is obtained for the \$148 shortage in the Inmate Account. The Sheriff should attempt to refund balances to inmates which have been released and any monies remaining unclaimed should be disposed of in accordance with state law.
 2. Along with the Associate Judge, review the older cases and determine the appropriate disposition of monies being held on inactive cases in the Fine and Cost Account.
 3. Dispose of any unidentified monies remaining in the Bond Account.
- E. Turn over custody of the Training and Equipment Account and the Petty Cash Fund bank account and all future revenues to the County Treasurer. In addition, accumulated interest and all future interest should be turned over.
- F. Obtain adequate supporting documentation for any refunds not made by check.
- G.1. Maintain perpetual inventory records for commissary items and reconcile inventory records to periodic physical inventory counts. Any discrepancies should be investigated in a timely manner.
2. Turn over commissary proceeds to the County Treasurer, periodically. In addition, invoices to replenish the commissary inventory should be paid by the county.

AUDITEE'S RESPONSE

- A&C. They now have an additional office employee and will be able to implement these recommendations.*
- B. This needs to be done and will be done. The Sheriff will personally reimburse the bond account \$50.*
- D.1. They are reviewing the inmate accounts for indigents who were provided with commissary items at no cost. They will bill the county for these items. And, they also believe some items purchased were given to all inmates and not resold as commissary items.*
- 2. They will meet with the Judge and work to close out this account.*
 - 3. This will be done.*
- E. The Petty Cash Account has been closed and the Training and Equipment Account will be turned over to the Treasurer, as well as any interest earned.*
- F. All monies will be deposited and disbursed by check.*
- G. They are in the process of contracting with a company to provide commissary services. Profit from the sales will be paid to the county each time the vendor is paid.*

This report is intended for the information of the management of the office of Sheriff of Miller County, Missouri and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

SPECIAL REVIEW OF
SHERIFF'S OFFICE
MILLER COUNTY, MISSOURI
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the Miller County Sheriff's office on recommendations made in the Management Advisory Report (MAR) of our report of Miller County issued for the three years ended December 31, 1997. The prior recommendations which have not been implemented, but are considered significant, have been repeated in the current MAR. Although the remaining unimplemented recommendation has not been repeated, the Sheriff should consider implementing this recommendation.

Sheriff's Accounting Controls and Procedures

- A. The Sheriff maintained several bank accounts for donations and LET fees.
- B.1. Receipt slips were not issued for some monies.
 - 2. Receipts were sometimes not deposited in a timely manner. At February 9, 1998, the bookkeeper was holding unidentified cash receipts totaling \$320.
 - 3. Checks and money orders were not restrictively endorsed until deposited.
- C. Monies deposited into the miscellaneous bank account were not paid over to the county in a timely manner.
- D. The Sheriff held numerous bank accounts, including four inactive accounts. Bank reconciliations were not prepared, and periodic check register or cash control totals were not maintained for any of the accounts.
- E. Monthly listings of open items were not prepared for the fine and cost account and the bond and garnishment account.
- F. Accounting duties were not adequately segregated, and independent reviews of the work performed by the bookkeeper were not performed.
- G. Access to seized property was not restricted to an official custodian. Centralized records of seized property were not maintained, and physical inventories were not performed and reconciled to seized property records.

Recommendation:

The Sheriff:

- A. Remit all monies in the Training and Equipment, LET, and DARE accounts to the County Treasurer for deposit to the county's General Revenue, LET, and DARE funds, as applicable. Expenditures should be authorized by the Sheriff and made through the County Commission's normal expenditure process as provided for in the budgets of the various funds.
- B.1. Issue receipt slips for all monies received.

2. Deposit receipts daily or when accumulated receipts exceed \$100. In addition, the Sheriff should determine the proper disposition of all unidentified monies. Balances which remain unidentified should be disbursed in accordance with state law.
 3. Restrictively endorse all checks immediately when received.
- C. Turn over fees to the county monthly as required by state law.
 - D. Maintain daily check register or cash control totals and perform bank reconciliations monthly for the various bank accounts. In addition, the Sheriff should close all inactive accounts with residual balances.
 - E. Prepare monthly listings of fine and cost and bond and garnishment open items and reconcile such listings to the cash balances. Any differences should be investigated and resolved.
 - F. Adequately segregate accounting and bookkeeping duties to the extent possible and ensure that documented independent reviews of work are performed.
 - G. Establish an official custodian for evidence and other seized property and maintain a centralized inventory record of all property received including information such as a description, persons involved, current location, case number, and disposition of such property. An inventory of all items on hand should be performed to ensure that items are properly identified, tagged, and logged. Periodic inventories should be performed by an independent person to ensure inventory on hand is properly logged and the log contains entries for all inventory in storage.

Status:

- A. Partially implemented. Monies in the LET and DARE accounts were remitted to the Treasurer. However, custody of the Training and Equipment Account and the Petty Cash Fund bank accounts has not been turned over to the Treasurer. See MAR No. 2.
- B.1
- 2,
E &
F. Not implemented. See MAR No. 2.
 - B.3.
& C. Implemented.
 - D. Partially implemented. All inactive accounts have been closed. However, check registers or cash control records are not maintained and bank reconciliations are not performed. See MAR No. 2.

- G. Partially implemented. One employee has been assigned as custodian of evidence and a centralized inventory record was established in June 1998. However, a periodic inventory has not yet been performed and some items in storage have not been identified to a specific case and added to the inventory record. Although not repeated in the current MAR, our recommendation remains as stated above.

* * * * *